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COTEAU WATER SYSTEM, INC.

New Iberia, Louisiana

Financial Report

June 30, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/10/07

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KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*

Tynes E. Mixon, Jr., CPA
Allen J. LaBry, CPA
Albert R. Leger, CPA, PFS, CSA*
Penny Angelle Scruggins, CPA
Christine L. Cousin, CPA
Mary T. Thibodeaux, CPA
Marshall W. Guidry, CPA
Alan M. Taylor, CPA
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucet, CPA
Cheryl L. Bartley, CPA, CVA
Mandy B. Self, CPA

Retired:
Conrad O. Chapman, CPA* 2006
Harry J. Clostio, CPA 2007

* A Professional Accounting Corporation

183 South Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

113 East Bridge St.
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

133 East Waddill St.
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

1234 David Dr. Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

408 West Cotton Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

450 East Main Street
New Iberia, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

INDEPENDENT AUDITORS' REPORT

WEB SITE:
WWW.KCSRCPAS.COM

The Board of Directors
Coteau Water System, Inc.
New Iberia, Louisiana

We have audited the accompanying statements of financial position of the Coteau Water System, Inc. (a nonprofit organization) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Coteau Water System, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coteau Water System, Inc. as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2007, on our consideration of Coteau Water System Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements of the Coteau Water System, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole, except that information presented on pages 18 - 20 is based on unaudited data, on which we express no opinion.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
August 14, 2007

FINANCIAL STATEMENTS

COTEAU WATER SYSTEM, INC.

New Iberia, Louisiana

Statements of Financial Position

June 30, 2007 and 2006

	2007	2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 388,945	\$ 310,196
Certificate of deposit	130,696	101,068
Accounts receivable (net)	64,771	67,236
Unbilled receivable	24,800	24,800
USDA receivable	61,243	-
Prepaid expenses	23,187	24,480
Total current assets	<u>693,642</u>	<u>527,780</u>
Restricted assets:		
Certificate of deposit	304,305	327,493
Total restricted assets	<u>304,305</u>	<u>327,493</u>
Property, plant and equipment	2,497,794	2,384,735
Other assets	806	806
Total assets	<u>\$3,496,547</u>	<u>\$3,240,814</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities (payable from current assets):		
Accounts payable	\$ 2,321	\$ 2,286
Accrued liabilities	5,307	4,165
Interest payable	7,086	7,944
Contracts payable	162,402	-
Retainage payable	8,547	-
Interim construction financing	3,027	-
USDA payable	61,243	-
Current portion of long-term debt	99,243	134,058
New line deposits and membership	350	350
	<u>349,526</u>	<u>148,803</u>
Current liabilities (payable from restricted assets):		
Meter deposits	164,013	160,297
Total current liabilities	<u>513,539</u>	<u>309,100</u>
Long-term liabilities:		
Notes payable	1,371,527	1,486,596
Total liabilities	<u>1,885,066</u>	<u>1,795,696</u>
Net assets:		
Unrestricted	1,253,460	1,072,365
Temporarily restricted	358,021	372,753
Total net assets	<u>1,611,481</u>	<u>1,445,118</u>
Total liabilities and net assets	<u>\$3,496,547</u>	<u>\$3,240,814</u>

The accompanying notes are an integral part of these statements.

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Statement of Activities
Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Service and delinquent charges	\$ 706,925	\$ -	\$ 706,925
Connection and reconnection fees	35,585	-	35,585
Interest income	26,526	-	26,526
Membership fees	5,200	-	5,200
Miscellaneous	1,624	-	1,624
Net assets released from restrictions:			
Expiration of time restrictions	14,732	(14,732)	-
Total revenues	<u>790,592</u>	<u>(14,732)</u>	<u>775,860</u>
Expenses:			
Bad debts	721	-	721
Chemicals	54,920	-	54,920
Connection fees	34,231	-	34,231
Depreciation	111,861	-	111,861
Director's travel and expense	52	-	52
Employee benefits	2,560	-	2,560
Insurance	32,004	-	32,004
Interest	88,422	-	88,422
Legal and professional fees	8,495	-	8,495
Line location	1,986	-	1,986
Meter reading	25,490	-	25,490
Advertising and publication cost	433	-	433
Office supplies	16,201	-	16,201
Repairs and maintenance	42,028	-	42,028
Road permits	50	-	50
Salaries	133,154	-	133,154
Contract labor	118	-	118
Taxes	12,285	-	12,285
Utilities	44,486	-	44,486
Total expenses	<u>609,497</u>	<u>-</u>	<u>609,497</u>
Change in net assets	<u>181,095</u>	<u>(14,732)</u>	<u>166,363</u>
Net assets, beginning of year	<u>1,072,365</u>	<u>372,753</u>	<u>1,445,118</u>
Net assets, end of year	<u>\$1,253,460</u>	<u>\$ 358,021</u>	<u>\$1,611,481</u>

The accompanying notes are an integral part of these statements.

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Statement of Activities
Year Ended June 30, 2006

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Service and delinquent charges	\$ 708,746	\$ -	\$ 708,746
Connection and reconnection fees	38,135	-	38,135
Interest income	21,080	-	21,080
Donations	-	49,775	49,775
Membership fees	5,200	-	5,200
Miscellaneous	13,415	-	13,415
Net assets released from restrictions:			
Expiration of time restrictions	20,915	(20,915)	-
Total revenues	<u>807,491</u>	<u>28,860</u>	<u>836,351</u>
Expenses:			
Chemicals	64,311	-	64,311
Connection fees	33,537	-	33,537
Depreciation	109,717	-	109,717
Director's travel and expense	848	-	848
Employee benefits	2,503	-	2,503
Insurance	26,974	-	26,974
Interest	104,972	-	104,972
Legal and professional fees	7,085	-	7,085
Line location	1,181	-	1,181
Meter reading	24,334	-	24,334
Advertising and publication cost	310	-	310
Office supplies	14,278	-	14,278
Repairs and maintenance	38,368	-	38,368
Road permits	300	-	300
Salaries	130,720	-	130,720
Security	502	-	502
Taxes	10,387	-	10,387
Utilities	49,825	-	49,825
Total expenses	<u>620,152</u>	<u>-</u>	<u>620,152</u>
Change in net assets	<u>187,339</u>	<u>28,860</u>	<u>216,199</u>
Net assets, beginning of year	<u>885,026</u>	<u>343,893</u>	<u>1,228,919</u>
Net assets, end of year	<u>\$1,072,365</u>	<u>\$ 372,753</u>	<u>\$1,445,118</u>

The accompanying notes are an integral part of these statements.

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Statements of Cash Flows
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from customers	750,175	739,723
Interest received	26,526	21,080
Other receipts	1,624	13,415
Cash paid to suppliers	(273,590)	(269,520)
Cash paid to employees	(133,154)	(130,720)
Interest paid	<u>(89,280)</u>	<u>(105,763)</u>
Net cash provided by operating activities	<u>282,301</u>	<u>268,215</u>
Cash flows from investing activities:		
Net increase in certificates of deposits	(6,440)	(1,716)
Purchase and construction of fixed assets	<u>(53,970)</u>	<u>(66,641)</u>
Net cash used by investing activities	<u>(60,410)</u>	<u>(68,357)</u>
Cash flows from financing activities:		
Principal payments on notes payable	(149,884)	(116,568)
Increase in meter deposits	3,716	8,887
Proceeds from (payment to) interim construction financing	<u>3,026</u>	<u>-</u>
Net cash used by financing activities	<u>(143,142)</u>	<u>(107,681)</u>
Net increase in cash and cash equivalents	78,749	92,177
Cash and cash equivalents, beginning of period	<u>310,196</u>	<u>218,019</u>
Cash and cash equivalents, end of period	<u>\$ 388,945</u>	<u>\$ 310,196</u>

(continued)

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Statements of Cash Flows (Continued)
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 166,363	\$ 216,199
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	111,861	109,717
Donated assets	-	(49,775)
(Increase) decrease in accounts receivable	2,465	(12,358)
Decrease in prepaid insurance	1,293	3,287
(Decrease) increase in accounts payable	35	(21)
Increase in accrued liabilities	1,142	1,957
Decrease in interest payable	<u>(858)</u>	<u>(791)</u>
Net cash provided by operating activities	<u>\$ 282,301</u>	<u>\$ 268,215</u>
Supplemental information of noncash transactions:		
Donated capital additions	<u>\$ -</u>	<u>\$ 49,775</u>

The accompanying notes are an integral part of these statements.

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The Coteau Water System, Inc. (Corporation) is a nonprofit organization formed under laws of the State of Louisiana in 1972. The Corporation was formed to construct, maintain, and operate a water system and to provide services to individuals who acquire membership in the rural community of Iberia Parish. The Corporation is governed by a board of directors composed of seven members elected by the members of the Corporation.

The Corporation is exempt from federal income tax as an organization described in Section 501(c) (12) of the Internal Revenue Code, and the Corporation is classified as a private foundation by the Internal Revenue Service.

The following is a summary of certain significant accounting policies:

A. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Corporation's financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

B. Cash and Cash Equivalents

Cash and cash equivalents is comprised of interest-bearing deposits which are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

C. Allowance for Uncollectibles

Through the establishment of an allowance account, uncollectible amounts due from customers' utility receivables are recognized as bad debts at the time information becomes available, which would indicate the uncollectibility of the particular receivable. The allowance for uncollectibles for customers' utility receivables at June 30, 2007 and 2006 was \$4,421 and \$3,503, respectively.

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Notes to Financial Statements (Continued)

D. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007 and 2006 are recorded as prepaid items. The only prepaid item that existed at June 30, 2007 and 2006 was prepaid insurance.

E. Inventory

Items that are on hand at June 30, 2007 and 2006 are not recorded as inventory due to immateriality. All items are expensed in the year purchased.

F. Certificates of Deposit

Certificates of deposit are classified separate from cash equivalents if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Certificates of deposit are stated at cost.

G. Property, Plant and Equipment

The cost of the assets recorded for the Corporation represents the actual cost of these assets. All items of property, plant, and equipment are recorded and depreciation is computed and recorded thereon, in accordance with generally accepted accounting principles for nonprofit organizations. In the absence of donor stipulations regarding how long contributed assets must be used, the Corporation has adopted a policy of implying a time restriction that expires over the useful life of the assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives for property, plant, and equipment are as follows:

Auto and trucks	5 years
Office furniture and equipment	5-10 years
Fences	15 years
Buildings and equipment	10-50 years
Deep water wells	50 years
Other equipment	7-50 years
Ground storage tanks	50 years
Distribution system	10-50 years

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Notes to Financial Statements (Continued)

H. Vacation, Sick Leave, and Compensated Absences

Employees of Coteau Water System, Inc. earn two weeks of vacation time each year. The Corporation allows one day of vacation for each month worked, not to exceed ten days (10) during the first year of hire. Employees can spread their vacation time out during the year. Vacation time may be carried over. It is recorded as an expense of the period in which paid.

I. Advertising and Publication Cost

Advertising and publication cost are expensed as incurred. Advertising and publication cost was \$433 and \$285 for the years ending June 30, 2007 and 2006, respectively.

J. Estimates

Preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates by management. Examples of estimates include the allowance for uncollectibles and the useful lives over which fixed assets are depreciated.

K. Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to significant concentrations of credit risk consist primarily of cash and cash equivalents.

The Corporation places its cash and investments with high quality financial institutions. At times such amounts may be in excess of FDIC insurance limits. As of June 30, 2007, cash balances exceeded FDIC insurance by \$121,181. Credit risk with respect to receivables is generally diversified due to a large number of customers; however, the Corporation's customer base is limited to the rural area in Iberia Parish.

L. Unbilled Receivable

Unbilled utility service receivable resulting from utility services rendered between the date of meter reading and billing and the end of the month are recorded at year end. The unbilled revenue at June 30, 2007 and 2006 was \$24,800.

M. Support and Expenses

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support, depending on the nature of the restriction, that increases those net

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Notes to Financial Statements (Continued)

asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

(2) Restricted Assets

In accordance with provisions of loan covenants with the United States Department of Agriculture ("USDA"), the Corporation is required to make deposits into a reserve account until such time that they accumulate \$140,292. Expenditures from the reserve account can only be made with prior written approval of the USDA and can only be used for repairs, improvements and other capital expenditures of the Corporation; and, in certain circumstances, debt service payments. Additionally, meter deposits being held by the Corporation in the amount of \$164,013 are considered restricted assets at June 30, 2007.

(3) Property, Plant and Equipment

A summary of property, plant and equipment at June 30, follows:

	2007	2006
Land	\$ 68,140	\$ 68,140
Auto and trucks	25,031	25,031
Office furniture and equipment	44,075	44,075
Fences	11,978	11,978
Buildings and equipment	100,970	100,970
Deep water wells	217,354	217,354
Other equipment	729,786	740,105
Ground storage tanks	41,921	41,921
Distribution system	2,108,725	2,108,725
Construction in progress	<u>256,207</u>	<u>28,462</u>
Total property, plant and equipment	3,604,187	3,386,761
Less: Accumulated depreciation	<u>(1,106,393)</u>	<u>(1,002,026)</u>
Net property, plant and equipment	<u>\$2,497,794</u>	<u>\$2,384,735</u>

Property, plant, and equipment are pledged as collateral on all loans from USDA – Rural Development. Depreciation expense for the years ended June 30, 2007 and 2006 are \$111,861 and \$109,717, respectively.

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Notes to Financial Statements (Continued)

(4) Changes in Long-Term Debt

The Corporation has various outstanding rural development loans with the United States Department of Agriculture ("USDA"). At June 30, 2007, there were 6 loans with original maturities of 40 years and one loan with an original maturity of 20 years. Interest is fixed at rates of 4.375%, 5.0%, and 7.0%. Terms on the loans range from annual payments of principal and interest to monthly payments of principal and interest with aggregate annual payments of principal and interest amounting to \$140,292. The indebtedness is collateralized by a security interest in the plant and equipment.

Based on the Corporation's current semi-annual payment method, the amounts necessary to amortize all debt outstanding at June 30, 2007 is as follows:

Years Ending June 30,	Principal	Interest	Total Debt Service
2008	99,243	85,127	184,370
2009	46,739	80,052	126,791
2010	49,630	77,162	126,792
2011	52,705	74,087	126,792
2012	55,978	70,814	126,792
2013-2017	301,114	299,429	600,543
2018-2022	341,084	198,054	539,138
2023-2027	200,427	91,545	291,972
2028-2032	86,571	63,309	149,880
2033-2037	107,697	42,183	149,880
2038-2041	104,792	15,112	119,904
2042	24,790	791	25,581
	<u>\$1,470,770</u>	<u>\$1,097,665</u>	<u>\$2,568,435</u>

In addition to the above, on May 25, 2007, Coteau Water System was approved for a \$1,000,000 interim construction financing loan for one year with Teche Bank & Trust for the Melancon and Captain Cade Road water system project. The rate of interest is fixed at ½% above New York Prime rate or 8.75% with principal and interest due at maturity. As of June 30, 2007, the outstanding loan balance was \$3,027.

USDA has approved to fund the interim construction loan with a permanent loan scheduled for repayment over a 40 year period. Prior to the interim construction loan in place, the Corporation incurred \$61,243 of expenses related to the project which are intended to be funded by the USDA permanent loan.

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Notes to Financial Statements (Continued)

(5) Employee Benefit Plans

Coteau Water System, Inc. established a Simple Employee Pension ("Simple") retirement plan for its employees. The system will match the employee's contributions into the plan up to 3% of compensation. Employer match for the years ended June 30, 2007 and 2006 are \$2,560 and \$2,503, respectively.

(6) Board of Directors

The Board of Directors consists of seven members who serve without compensation. As of June 30, 2007, board members and their service terms are as follows:

	<u>Term Expires</u>
Officers -	
Alton Huval-President	September, 2009
Daniel Evans-Vice-President	September, 2008
Philip Monte-Secretary	September, 2009
Freddie J. Romero-Treasurer	September, 2007
Other directors -	
Russell J. Romero	September, 2007
Jean Maturin	September, 2008
Margaret Viator	September, 2008

(7) New Lines Deposits and Memberships

The water system collected memberships and deposits from potential customers along the latest extension. These are being carried as a current liability until the service is provided, at which point they will be transferred to meter deposits and members' investments.

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes as of June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Remaining estimated useful lives of		
contributed property and equipment	\$ 144,623	\$ 149,728
State DOTD Contributions	<u>213,398</u>	<u>223,025</u>
	<u>\$ 358,021</u>	<u>\$ 372,753</u>

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Notes to Financial Statements (Continued)

(9) Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the expiration of time for the year ended June 30:

	<u>2007</u>	<u>2006</u>
Time restrictions expired:		
Expired portion of estimated useful lives of contributed property and equipment	<u>\$ 14,732</u>	<u>\$ 20,915</u>

(10) Subsequent Event

In July 2007, Gideon Grove and Guillot Village subdivisions water systems were donated to Coteau Water System with a value of \$26,303 and \$118,918, respectively.

SUPPLEMENTARY INFORMATION

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Statement of Activities - Budget and Actual
Year Ended June 30, 2007
With Comparative Actual Amounts for Year Ended June 30, 2006

	2007		Variance -	2006
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Service and delinquent charges	\$ 658,800	\$ 706,925	\$ 48,125	\$ 708,746
Connection and reconnection fees	31,200	35,585	4,385	38,135
Interest income	-	26,526	26,526	21,080
Donations	-	-	-	49,775
Membership fees	1,500	5,200	3,700	5,200
Miscellaneous	-	1,624	1,624	13,415
Total revenues	<u>691,500</u>	<u>775,860</u>	<u>84,360</u>	<u>836,351</u>
Expenses:				
Bad debts	3,000	721	2,279	-
Chemicals	65,000	54,920	10,080	64,311
Connection fees	40,000	34,231	5,769	33,537
Depreciation	98,000	111,861	(13,861)	109,717
Director's travel and expense	1,000	52	948	848
Employee benefits	4,000	2,560	1,440	2,503
Insurance	32,600	32,004	596	26,974
Interest	90,000	88,422	1,578	104,972
Legal and professional fees	31,000	8,495	22,505	185
Line location	1,215	1,986	(771)	1,181
Meter reading	38,000	25,490	12,510	24,334
Advertising and publication cost	4,000	433	3,567	310
Office supplies	12,700	16,201	(3,501)	14,278
Repairs and maintenance	35,000	42,028	(7,028)	38,368
Road permits	700	50	650	300
Salaries	140,000	133,154	6,846	130,720
Contract labor	-	118	(118)	-
Security	500	-	500	502
Taxes	15,000	12,285	2,715	10,387
Utilities	52,000	44,486	7,514	49,825
Total expenses	<u>663,715</u>	<u>609,497</u>	<u>54,218</u>	<u>620,152</u>
Change in net assets	<u>\$ 27,785</u>	166,363	<u>\$ 138,578</u>	216,199
Net assets, beginning of year		<u>1,445,118</u>		<u>1,228,919</u>
Net assets, end of year		<u>\$1,611,481</u>		<u>\$1,445,118</u>

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Schedule of Number of Utility Customers and Monthly Water Rates
(Unaudited)
June 30, 2007

Records maintained by the Coteau Water System, Inc. indicated the following number of customers was being serviced during the month of June 2007:

Commercial customers:	
Meters under 3/4"	53
Meters over 3/4"	11
Residential customers:	
Non-minority	1,891
Minority	<u>282</u>
Total	<u>2,237</u>

The water rates of the Coteau Water System, Inc. as of June 30, 2007 are as follows:

Residential Rates:
\$13.00 for the first 2,000 gallons
\$3.00 per 1,000 gallons thereafter

Commercial Rates:
\$21.00 for the first 3,000 gallons
\$3.00 per 1,000 gallons thereafter

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Schedule of Insurance in Force
(Unaudited)
June 30, 2007

<u>Insurance Agency</u>	<u>Insurance Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration of Policy</u>
Dupuy-Jefferson-Waguespack	Boiler & Machine	\$ 600,000	2/1/2008
Louisiana Worker's Compensation	Worker's Compensation	\$ 100,000	12/12/2007
Dupuy-Jefferson-Waguespack	Automobile:		
	Bodily Injury	\$ 300,000	5/5/2008
	Uninsured Motorist	\$ 300,000	5/5/2008
Dupuy-Jefferson-Waguespack	Fidelity Bond (covers four employees)	\$ 142,500 per person	5/5/2008
Dupuy-Jefferson-Waguespack	Pollution Insurance	\$ 2,000,000	10/18/2007
Dupuy-Jefferson-Waguespack	Casualty Insurance:		
	General Liability:		
	Personal Injury	\$ 1,000,000	5/5/2008
	Products-Completed Operations	\$ 1,000,000	5/5/2008
	Fire Damage	\$ 50,000	5/5/2008
	Medical Expense	\$ 5,000	5/5/2008
	Property Damage:		
	Blanket Building & Personal Property	\$ 1,467,940	5/5/2008

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Accounts Receivable Aging Schedule
(Unaudited)
June 30, 2007

Less than 30 days	\$ 62,949
31 to 60 days	911
61 to 90 days	5,332
Over 90 days	<u>-</u>
Total accounts receivable	<u>\$ 69,192</u>

**COMPLIANCE
AND
INTERNAL CONTROL**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*

Tynes E. Mixon, Jr., CPA
Allen J. LaBry, CPA
Albert R. Leger, CPA, PFS, CSA*
Penny Angelle Scruggins, CPA
Christine L. Cousin, CPA
Mary T. Thibodeaux, CPA
Marshall W. Guidry, CPA
Alan M. Taylor, CPA
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucet, CPA
Cheryl L. Bartley, CPA, CVA
Mandy B. Self, CPA

Retired:
Conrad O. Chapman, CPA* 2006
Harry J. Clostio, CPA 2007

* A Professional Accounting Corporation

183 South Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

113 East Bridge St.
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

133 East Waddill St.
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

1234 David Dr. Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

408 West Cotton Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

332 West Sixth Avenue
Oberlin, LA 70555
Phone (337) 639-4737
Fax (337) 639-4568

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

450 East Main Street
New Iberia, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

WEB SITE:
WWW.KCSRPCAS.COM

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Coteau Water System, Inc.
New Iberia, Louisiana

We have audited the financial statements of Coteau Water System, Inc. (a nonprofit organization), as of and for the year ended June 30, 2007, and have issued our report thereon dated August 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coteau Water System, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coteau Water System's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiency described in the accompanying summary schedule of current and prior year audit findings as item 07-01 to be a significant deficiency in internal control over financial reporting.

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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described above is considered to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coteau Water System, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
August 14, 2007

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan
Year Ended June 30, 2007

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (6/30/07) --						
<u>Internal Control:</u>						
07-1(IC)	Unknown	Due to the small number of employees, the Corporation did not have adequate segregation of functions within the accounting system.	N/A	Management has determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No action is considered necessary.	Shirley Huval	N/A
PRIOR YEAR (6/30/06) --						
<u>Internal Control:</u>						
06-1(IC)	Unknown	Due to the small number of employees, the Corporation did not have adequate segregation of functions within the accounting system.	N/A	Management has determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No action is considered necessary.	Shirley Huval	N/A